

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Greater Lapeer Transportation Authority	County Lapeer
Audit Date 9/30/05	Opinion Date 10/13/05	Date Accountant Report Submitted to Sate: 2/24/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C. CPAs and Business Consultants			
Street Address 3023 Davenport	City Saginaw	State MI	ZIP 48602
Accountant Signature 			

GREATER LAPEER TRANSPORTATION AUTHORITY

Lapeer, Michigan

Annual Financial Statements,

Auditors' Report

and Single Audit Report

September 30, 2005

GREATER LAPEER TRANSPORTATION AUTHORITY

Lapeer, Michigan

Annual Financial Statements,

Auditors' Report

and Single Audit Report

September 30, 2005

BOARD OF DIRECTORS

OFFICERS

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BEVERLY DUPUIS

RECORDING SECRETARY

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Independent Auditors' Report

Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan 48446

We have audited the statement of net assets of the Greater Lapeer Transportation Authority as of and for the year ended September 30, 2005, and the related statements of revenue, expenses and changes in net assets, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Greater Lapeer Transportation Authority as of September 30, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also issued a report dated October 13, 2005, on our consideration of Greater Lapeer Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Mileage Data is unaudited and we express no opinion on it.

The Greater Lapeer Transportation Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 13, 2005

Greater Lapeer Transportation Authority
Statement of Net Assets
September 30, 2005

Assets

Current assets

Cash	\$ 158,222
Accounts receivable	87,100
Due from state and federal government	43,194
Prepaid expenses	<u>12,531</u>

Total current assets	<u>301,047</u>
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Capital assets

Land	46,805
Buildings	1,976,457
Vehicles	1,506,734
Office equipment	68,121
Maintenance equipment	108,350
Communication equipment	35,307
Accumulated depreciation	<u>(947,079)</u>

Net capital assets	<u>2,794,695</u>
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Total assets	<u>3,095,742</u>
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Liabilities

Current liabilities

Accounts payable	19,595
Due to state	69,484
Accrued payroll	27,556
Accrued payroll liabilities	10,093
Compensated absences	10,441
Deferred revenue	<u>100</u>

Total liabilities	<u>137,269</u>
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Net assets

Investment in capital assets	2,794,695
Unrestricted	<u>163,778</u>

Total net assets	<u><u>\$ 2,958,473</u></u>
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See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended September 30, 2005

Operating revenues	
Demand response	\$ 585,219
Operating expenses	<u>1,784,090</u>
Operating loss	<u>(1,198,871)</u>
Nonoperating revenues - local	<u>87,484</u>
Nonoperating revenues - state and federal	
Operating grant revenue	785,849
Capital grant revenue	<u>547,403</u>
Total nonoperating revenue - state and federal	<u>1,333,252</u>
Increase in net assets	221,865
Net assets - beginning of year	<u>2,736,608</u>
Net assets - end of year	<u><u>\$ 2,958,473</u></u>

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2005

Cash flows from operating activities	
Operating revenue	\$ 577,496
Payment to suppliers	(604,277)
Payment to employees	<u>(935,695)</u>
Net cash used by operating activities	<u>(962,476)</u>
Cash flows from noncapital financing activities	
Local nonoperating revenue	83,510
State nonoperating revenue	602,303
Federal nonoperating revenue	<u>183,546</u>
Net cash flows provided by noncapital financing activities	<u>869,359</u>
Cash flows from capital and related financing activities	
State and federal government grants	547,403
Proceeds on sale of capital assets	3,415
Acquisition of capital assets	<u>(547,403)</u>
Net cash flows provided by capital and related financing activities	<u>3,415</u>
Cash flows from investing activities	
Interest earned	<u>3,974</u>
Net decrease in cash	(85,728)
Cash - beginning of year	<u>243,950</u>
Cash - end of year	<u><u>\$ 158,222</u></u>
Operating loss	\$ (1,198,871)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	285,648
(Gain) loss on disposal of asset	(3,177)
Decrease (increase) in	
Accounts receivable	(928)
Prepaid expenses	(3,520)
Due from state and federal government	3,635
Increase (decrease) in	
Accounts payable	(2,899)
Due to state	(10,430)
Accrued payroll	1,681
Accrued payroll liabilities	(1,407)
Compensated absences	(22,208)
Arbitration settlement	<u>(10,000)</u>
Net cash used by operating activities	<u><u>\$ (962,476)</u></u>

See Accompanying Notes to Financial Statements

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Greater Lapeer Transportation Authority is a public body organized as a legal entity pursuant to Public Act 196 of 1986. The Authority has the capability and the authority to provide public transportation to the general public in the City of Lapeer and surrounding areas. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. By this definition, no component units are included in the Greater Lapeer Transportation Authority's financial report.

BASIS OF ACCOUNTING

The Authority follows the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

CASH

At September 30, 2005 cash consisted of demand deposits and money market savings accounts.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES

Compensated sick leave is granted to each full-time employee at the rate of one-half day per pay period. Unused sick leave may be accumulated not to exceed 240 days. Upon separation of employment, employees shall not be paid for unused sick leave.

Each full-time employee shall accrue one week of vacation after completing one year of employment. After two years of employment, employees accrue two weeks and after 10 years, they shall accrue three weeks. Vacation time must be used within one year after it is earned. Upon separation of employment, employees shall receive payment for all unused vacation leave.

Vacation or sick leave utilized during the current year is recorded as a current fringe benefit expenditure. At year-end, each employee's accumulated leave is computed by applying his current (year end) rate of pay times total accumulated hours. The composite dollar total for all employees is entered as the accrued liability by an adjusting entry posted to the liability and expenditures accounts.

CAPITAL ASSETS

Capital assets are stated at cost. Depreciable capital assets are depreciated over the estimated useful life of the asset using the straight-line method. The useful life of the assets range from 4 - 40 years.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 20

In accordance with GASB Statement 20, the Authority has elected not to apply the FASB statements and interpretations issued after November 30, 1989 to its financial statements.

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2005

NOTE 2 - CASH

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

DEPOSITS - Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers acceptance of U.S. Banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CONCENTRATION OF CREDIT RISK – The Authority has no policy that would limit the amount that may be invested with any one issuer.

CUSTODIAL CREDIT RISK – DEPOSITS – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$49,765 of the Authority's bank balance of \$159,973 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - CAPITAL ASSETS

Major classes of capital assets consist of the following:

	Purchased with Authority Funds	Purchased with Capital Grants	Total
Assets not being depreciated			
Land	\$ 46,805	\$ -	\$ 46,805
Other capital assets			
Buildings	280,813	1,695,644	1,976,457
Vehicles	61,880	1,444,854	1,506,734
Office equipment	21,645	46,476	68,121
Maintenance equipment	4,099	104,251	108,350
Communication equipment	-	35,307	35,307
	<u>415,242</u>	<u>3,326,532</u>	<u>3,741,774</u>
Less: accumulated depreciation	<u>(116,172)</u>	<u>(830,907)</u>	<u>(947,079)</u>
Net capital assets	<u>\$ 299,070</u>	<u>\$ 2,495,625</u>	<u>\$ 2,794,695</u>

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2005

Additions and disposals for the year ended September 30, 2005 are as follows:

	Balance as of September 30, 2004	Additions	Disposals	Balance as of September 30, 2005
Assets not being depreciated				
Land	\$ 46,805	\$ -	\$ -	\$ 46,805
Other capital assets				
Buildings	1,976,457	-	-	1,976,457
Vehicles	1,074,114	547,403	114,783	1,506,734
Office equipment	68,121	-	-	68,121
Maintenance equipment	108,350	-	-	108,350
Communication equipment	35,307	-	-	35,307
	<u>3,309,154</u>	<u>547,403</u>	<u>114,783</u>	<u>3,741,774</u>
Less: accumulated depreciation	<u>(775,976)</u>	<u>(285,648)</u>	<u>(114,545)</u>	<u>(947,079)</u>
Net capital assets	<u>\$ 2,533,178</u>	<u>\$ 261,755</u>	<u>\$ 238</u>	<u>\$ 2,794,695</u>

Depreciation expense for the year ended September 30, 2005 was \$285,648. When assets purchased with capital grant funds are withdrawn from mass transportation service, the grantee must remit to the grantor the grantor's pro-rata share of the fair market value as of the date the asset was withdrawn.

NOTE 4 - PENSION

On October 1, 1995, the Authority established a defined contribution plan covering all full-time personnel. Any employee who works 25 hours or more per week is eligible. Vesting is 100% after second year of service. Employer contributions are based upon 5% of each employee's wages. Employees are required to contribute a minimum of 2% to the plan. The total pension expense for the year ended September 30, 2005 was \$28,528.

NOTE 5 - RISK MANAGEMENT

Greater Lapeer Transportation Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). Greater Lapeer Transportation Authority has purchased commercial insurance for workers' compensation claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Greater Lapeer Transportation Authority participates in the Michigan Municipal League risk pool for claims relating to property, general liability and vehicle coverage. The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Greater Lapeer Transportation Authority
Notes to Financial Statements
September 30, 2005

NOTE 6 - DEFERRED COMPENSATION

Greater Lapeer Transportation Authority offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Greater Lapeer Transportation Authority for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with accounting principles generally accepted in the United States of America, plan balances and activities are not reflected in Greater Lapeer Transportation Authority's financial statements.

Greater Lapeer Transportation Authority
Schedule of Operating Expenses
For the Year Ended September 30, 2005

	<u>Operation</u>	<u>Maintenance</u>	<u>Administration</u>	<u>Total System</u>
Labor				
Operating salaries and wages	\$ 416,361	\$ 47,071	\$ 35,993	\$ 499,425
Other salaries and wages	77,263	-	90,550	167,813
Fringe benefits	212,174	10,415	23,934	246,523
Other services	2,189	8,004	20,683	30,876
Materials and supplies				
Fuel and lubricants	101,269	-	-	101,269
Tires and tubes	-	14,259	-	14,259
Other materials and supplies	348	26,284	12,504	39,136
Utilities	-	-	31,044	31,044
Casualty and liability costs				
Premiums for public liability and property damage insurance	48,575	-	-	48,575
Other casualty and liability	-	-	14,869	14,869
Miscellaneous				
Advertising	-	-	13,669	13,669
Travel	2,473	-	3,849	6,322
Dues and publications	-	-	3,235	3,235
Interest	205	-	-	205
Other	659	1,376	2,221	4,256
Purchased transportation	280,143	-	-	280,143
Total	1,141,659	107,409	252,551	1,501,619
Depreciation	262,484	-	23,164	285,648
Loss on disposal of assets	-	-	(3,177)	(3,177)
Total operating expenses	<u>\$ 1,404,143</u>	<u>\$ 107,409</u>	<u>\$ 272,538</u>	<u>\$ 1,784,090</u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - Local
For the Year Ended September 30, 2005

Local nonoperating revenue	
City of Lapeer	\$ 38,383
Township of Lapeer	5,394
Township of Elba	4,392
Township of Mayfield	15,303
Township of Oregon	4,537
Township of Deerfield	<u>3,491</u>
	71,500
Interest income	3,974
Other income	<u>12,010</u>
Total nonoperating revenues - local	<u><u>\$ 87,484</u></u>

Greater Lapeer Transportation Authority
Schedule of Nonoperating Revenue - State and Federal
For the Year Ended September 30, 2005

State of Michigan operating grants

Local Bus Operating Assistance (Act 51) 04-05	\$ 582,335
Transportation to work	13,752
Project Zero	<u>6,216</u>
Total State of Michigan operating grants	<u>602,303</u>

State of Michigan capital grants

U.S. F.T.A. Capital Assistance	<u>109,481</u>
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Federal operating grants

Rural Transit Assistance Program	3,433
U.S. F.T.A. Operating Grant - Section 5311	<u>180,113</u>

Total Federal operating grants	<u>183,546</u>
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Federal capital grants

U.S. F.T.A. Capital Assistance	<u>437,922</u>
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Total nonoperating revenues - state and federal	<u><u>\$ 1,333,252</u></u>
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Greater Lapeer Transportation Authority
Net Eligible Costs Computation of
General Operations
For the Year Ended September 30, 2005

	Federal Section 5311	State Operating Assistance
Expenses		
Labor	\$ 667,238	\$ 667,238
Fringe benefits	246,523	246,523
Other services	30,876	30,876
Materials and supplies	154,664	154,664
Utilities	31,044	31,044
Casualty and liability costs	63,444	63,444
Purchased transportation	280,143	280,143
Depreciation	285,648	285,648
Advertising	13,669	13,669
Interest	205	205
Loss on disposal of assets	(3,177)	(3,177)
Miscellaneous	13,813	13,813
Total expenses	<u>1,784,090</u>	<u>1,784,090</u>
Less ineligible expenses		
Depreciation	262,484	262,484
MPTA dues (6.9%)	118	118
Expenses reimbursed by RTAP	3,433	3,433
Expenses reimbursed by Project Zero	6,216	6,216
Loss on disposal of assets	(3,177)	(3,177)
	<u>269,074</u>	<u>269,074</u>
Net eligible expenses - federal and state	<u>\$ 1,515,016</u>	<u>\$ 1,515,016</u>
Federal revenue calculation		
Reimbursable percentage	<u>12.40%</u>	
Statutory cap	<u>\$ 187,862</u>	
Total federal revenue	<u>\$ 187,862</u>	
State revenue calculation		
Reimbursable percentage		60%
Statutory cap		<u>\$ 909,010</u>
Formula reimbursement percentage		38.44%
Formula reimbursement		<u>\$ 582,335</u>
State operating assistance revenue received		<u>\$ 616,474</u>

Greater Lapeer Transportation Authority
Schedule of Ineligible Costs
For the Year Ended September 30, 2005

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>State Operating Assistance</u>	<u>Federal \$ 5311</u>
01-0034			
	1. Depreciation: Depreciation accrued on contributed capital or reimbursed capital expenditures must be deducted as ineligible expense.	\$ 262,484	\$ 262,484
	2. MPTA dues (6.9% of \$ 2,087 - ineligible costs)	118	118
	3. Expenses reimbursed by RTAP	3,433	3,433
	4. Expenses reimbursed by Project Zero	6,216	6,216
	5. Loss on disposal of assets	<u>(3,177)</u>	<u>(3,177)</u>
		<u>\$ 269,074</u>	<u>\$ 269,074</u>

Greater Lapeer Transportation Authority
Mileage Data (Unaudited)
For the Year Ended September 30, 2005

Public
Transportation
Mileage

DEMAND RESPONSE

First quarter	151,457
Second quarter	141,083
Third quarter	140,732
Fourth quarter	<u>128,277</u>
	<u><u>561,549</u></u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.



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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Governmental Auditing Standards***

To the Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

We have audited the financial statements of Greater Lapeer Transportation Authority as of and for the year ended September 30, 2005, and have issued our report thereon dated October 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greater Lapeer Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Lapeer Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Greater Lapeer Transportation Authority in a separate letter dated October 13, 2005.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan

October 13, 2005



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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

Compliance

We have audited the compliance of Greater Lapeer Transportation Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Greater Lapeer Transportation Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Greater Lapeer Transportation Authority's management. Our responsibility is to express an opinion on Greater Lapeer Transportation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Greater Lapeer Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Greater Lapeer Transportation Authority's compliance with those requirements.

In our opinion, Greater Lapeer Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control over Compliance

The management of Greater Lapeer Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Greater Lapeer Transportation Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of Greater Lapeer Transportation Authority as of and for the year ended September 30, 2005, and have issued our report thereon dated October 13, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management and the federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan
October 13, 2005

Greater Lapeer Transportation Authority
Schedule of Federal and State Awards
Year Ended September 30, 2005

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Grantor Number</u>	<u>Program or Award Amount</u>	<u>Current Year Expenditures</u>
Federal Transit Administration Passed through Michigan Department of Transportation Operating Assistance - Section 5311	20.509	02-0041/Z8 02-0041/Z13 02-0041/Z17	\$ 169,178 174,357 198,816	\$ (3,393) (4,356) <u>187,862</u>
				<u>180,113</u>
Capital Assistance - Section 5309	20.500	02-0041/Z5 02-0041/Z10	346,510 447,864	135,619 <u>302,303</u>
				<u>437,922</u>
Rural Transit Assistance Program	20.509	RTAP	3,500	<u>3,433</u>
Total federal awards				<u>621,468</u>
Michigan Department of Transportation Project Zero Operating Assistance		02-0041/Z12	41,501	6,216
Transportation to work Operating Assistance		02-0041/Z15	13,752	13,752
Capital Assistance - Section 5309		02-0041/Z5 02-0041/Z10	86,627 111,966	33,905 75,576
Operating Assistance (04-05) - Act 51			616,474	<u>582,335</u>
Total state awards				<u>711,784</u>
Total federal and state awards				<u><u>\$ 1,333,252</u></u>

Greater Lapeer Transportation Authority
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2005

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.

Greater Lapeer Transportation Authority
Schedule of Findings and Questioned Costs
September 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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20.500

Section 5309

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
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Auditee qualified as low-risk auditee? _____ yes X no

Greater Lapeer Transportation Authority
Schedule of Findings and Questioned Costs
September 30, 2005
(continued)

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards for the year ended September 30, 2005.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2005.

Greater Lapeer Transportation Authority
Summary Schedule of Prior Audit Findings
September 30, 2005

There were no audit findings for the year ended September 30, 2004.



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October 13, 2005

The Board of Directors
Greater Lapeer Transportation Authority
Lapeer, Michigan

In planning and performing our audit of the basic financial statements of the Greater Lapeer Transportation Authority for the year ended September 30, 2005, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control system.

However, during our engagement we became aware of a couple of items that offer an opportunity to strengthen internal controls and operating efficiency. We would like to share these matters with you and offer our recommendations.

BACKUP PROCEDURES

During the audit, it was noted that the accounting software back up procedures to CD-Rom were not working properly. One of the main reasons for creating backup files is to be able to recover data in the event of a disaster, such as fire or water damage. It is our recommendation that back ups of the accounting software be performed weekly and stored in fireproof storage on-site. We further recommend periodic testing of the back up data. Additionally, we recommend that monthly back ups be stored off premises such as in a safety deposit box.

ACCURACY OF ACCOUNT BALANCES

We noted during the audit that when disbursements are made and cash is received, there were several instances where the appropriate accrual was not relieved but was recorded as revenue or expense. We also noted some account balances which had not changed from the previous year end balances. It is our recommendation that management review the balance sheet on a monthly basis to assess the reasonableness of the account balances. This procedure will give management more accurate financial information throughout the year.

This report is intended solely for the use of management and should not be used for any other purpose.

We appreciate the opportunity to serve the Greater Lapeer Transportation Authority and would like to thank Mary Panos, Beverly Dupuis, and Carol Wegher for their assistance during our engagement. Should you have any questions, please feel free to contact our office.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants

Brian Dixon, CPA